

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK
RATIONALIZATION SERVICE CHANGES, 2012

DOCKET No. N2012-1

**INSTITUTIONAL RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF THE NATIONAL POSTAL MAIL HANDLERS UNION,
REDIRECTED FROM POSTAL SERVICE WITNESS RACHEL
(NPMHU/USPS-T8-3, 4, 6, 8, 9, 11 AND 12)**

The United States Postal Service hereby provides institutional responses to the above-referenced interrogatories of the National Postal Mail Handlers Union ("NPMHU") dated January 11, 2012, redirected from witness Rachel (USPS-T-8). Each interrogatory is stated verbatim and is followed by the response. The Postal Service filed a partial objection to NPMHU/USPS-T8-6 on January 23, 2012.

Respectfully submitted,

By its attorneys:

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January 25, 2012

**INSTITUTIONAL RESPONSES OF UNITED STATES POSTAL SERVICE
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NPMHU/USPS-T8-3. Has the Postal Service estimated the projected labor savings from normal attrition rates, absent implementation of the MPNR? If so, please provide those estimates.

RESPONSE:

No. Labor savings cannot be projected on the basis of attrition rates because there is no fixed correlation between attrition and reductions in complement or FTEs.

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NPMHU/USPS-T8-4. Has the Postal Service subtracted the anticipated labor savings from normal attrition from the projected labor savings associated with the MPNR? If so, please identify where these savings are accounted for, by specific reference to testimony or library reference.

RESPONSE:

No. Please see the institutional response to NPMHU/USPS-T8-3.

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NPMHU/USPS-T8-6. Has the Postal Service calculated the cost and possible savings from implementing a voluntary retirement program or retirement incentive program? If so, please provide those calculations.

RESPONSE:

Please see the Postal Service's institutional response to NPMHU/USPS-T8-8. The Postal Service filed a partial objection to NPMHU/USPS-T8-6 on January 23, 2012.

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NPMHU/USPS-T8-8. What were the Postal Service's costs and projected labor savings, broken down by craft, associated with any retirement incentive programs or early retirement programs offered since 2006?

RESPONSE:

The table below provides a list of voluntary early retirement actions that the Postal Service has offered since calendar year 2006. It shows, by major craft, number of employees who separated from the Postal service under each of these offerings. In 2009, the Postal Service offered lump sum incentive payments of \$15,000 to eligible APWU and NPMHU employees. In 2011, \$20,000 lump sum incentive was offered to nonbargaining career employees at headquarters and certain field offices that were being closed due to consolidation of administrative functions. Based on the amount of each offering and the number of employees accepting the incentive VERA, it cost the Postal Service an estimated \$352 million dollars.

The third table shows an estimated reduction in annual personnel costs resulting from each of the early retirement offerings. This "Annual Run Rate" is calculated by applying the average salary and benefit cost of employees in each group multiplied by number of employees in that group who elected to accept the early retirement offer. As explained in footnote 3, we are unable to provide savings associated with VER as those would require a speculation about when those employees would have separated absent the opportunity provided by VER.

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RESPONSE TO NPMHU/USPS-T8-8 (CONT.):

Historical USPS VER & Retirement Incentive Offerings

Number of People Who Accepted Offering								
CY	NON-BARG	NRLCA	APWU	NPMHU	PPO	NPPN	NALC	TOTAL
2006	11	0	0	0	0	0	0	11
2007	91	0	29	2	0	0	0	122
2008	709	41	2,870	362	1	0	141	4,124
2009	1,915	608	2,279	259	7	1	3,230	8,299
2009	0	0	17,983	2,893	0	0	0	20,876
2010	67	1	40	18	0	0	2	128
2011	0	0	213	2	0	0	223	438
2011	1,963	0	0	0	0	0	0	1,963
TOTAL	4,756	650	23,414	3,536	8	1	3,596	35,961

Cost of Incentive² (\$ millions)								
CY	NON-BARG	NRLCA	APWU	NPMHU	PPO	NPPN	NALC	TOTAL
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
2009	-	-	\$270	\$43	-	-	-	\$313
2010	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2011	\$39	-	-	-	-	-	-	\$39
TOTAL	\$39	\$0	\$270	\$43	\$0	\$0	\$0	\$352

Reduction in Annual Run Rate³ (\$ millions)								
CY	NON-BARG	NRLCA	APWU	NPMHU	PPO	NPPN	NALC	TOTAL
2006	\$1	-	-	-	-	-	-	\$1
2007	\$8	-	\$2	\$0	-	-	-	\$10
2008	\$67	\$3	\$203	\$24	\$0	-	\$10	\$308
2009	\$186	\$47	\$164	\$18	\$1	\$0	\$238	\$653
2009	-	-	\$1,294	\$202	-	-	-	\$1,496
2010	\$7	\$0	\$3	\$1	-	-	\$0	\$11
2011	-	-	\$15	\$0	-	-	\$17	\$33
2011	\$218	-	-	-	-	-	-	\$218
TOTAL	\$487	\$50	\$1,682	\$245	\$1	\$0	\$265	\$2,729

Notes:

1. If a year is shown twice, it is shown to distinguish between monetary and non-monetary offerings.
2. Cost of Incentive is calculated using \$15,000 per eligible bargaining employee and \$20,000 per eligible non-bargaining employee
A blank section under the cost of incentive implies that no monetary incentive was offered
3. Reduction in Annual Run Rate is calculated using the average annual S&B of employees who accepted the offering.
We are unable to provide savings as this would require an estimate of when an employee would have otherwise retired

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NPMHU/USPS-T8-9. On page 17 of your testimony, you state that “[t]ypically, there are few, if any, remaining unplaced employees” where consolidations occur in metropolitan locations with gaining facilities in the commuting area.

- (a) Please confirm that, as a result, in cases where consolidations occur in metropolitan locations with gaining facilities in the commuting area, there will be little labor cost savings, as employees will be transferred to gaining facilities.
- (b) If (a) is not confirmed, please explain how the labor cost savings arise, if “there are few, if any, remaining unplaced employees.”

RESPONSE:

- (a) Not confirmed.
- (b) The reassignment of employees from facilities where they are not needed to facilities where they are needed to cover existing vacancies obviates the need for hiring and, thus, serves to capture attrition, reduce complement and achieve labor cost savings.

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NPMHU/USPS-T8-11. Has the Postal Service made any projections of the costs that will be associated with reductions in force or relocations of employees affected by facility consolidations?

- (a) If the answer to the above is yes, please identify how those were factored into the calculation of the \$2.1 billion in projected savings.
- (b) Please provide calculations of the costs that will be associated with reductions in force or relocations of employees affected by facility consolidations.

RESPONSE:

No.

- (a) N/A
- (b) Because any costs associated with reductions in force or relocations of employees resulting from facility consolidations would be driven by many factors such as the final decisions of the facilities that would be consolidated, the specific reassignment opportunities that are present in those locations at the time of impact, and employee decisions related to those opportunities, it is not possible to produce reliable estimates of those costs at this time.

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NPMHU/USPS-T8-12. Please explain the effects of the Postal Service's Sources Sought Notice Network Optimization, seeking interested suppliers to provide transportation management services, on Postal Service staffing under the MPNR, including in your answer the following:

- (a) If the Postal Service moves forward with engaging third parties suppliers to provide transportation management services, including loading and unloading vehicles at cross-dock distribution hubs, would that result in Postal staffing reductions beyond the FTE reductions currently anticipated by the Postal Service?
- (b) Does the Postal Service's anticipated FTE reductions under the MPNR [include] jobs performed by Postal employees that would potentially be performed by employees of suppliers providing transportation management services as sought in the Sources Sought Notice Network Optimization?
- (c) How many cross-dock distribution hubs are contemplated by the Postal Service under the MPNR?
- (d) If the Postal Service operated the cross-dock distribution hubs using Postal employees, rather than contractors, under the MPNR, how many Postal jobs or FTEs would be required to staff these hubs?

RESPONSE:

- (a-b) The Sources Sought Notice Network Optimization (SSNNO) is a public request for information. The purpose of the SSNNO is to determine the existence of potential suppliers in the marketplace that are capable of providing transportation management services to the Postal Service. Based on the supplier responses to the SSNNO, the Postal Service may decide to contract for these services. Because such decisions have not been made, however, the SSNNO will not have any effect on Postal Service staffing under the MPNR and the impact on postal staffing reductions beyond the MPNR is unknown.
- (c-d) The specific number of cross-dock distribution hubs and the staffing requirements at those hubs were not considered by the Postal Service when

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RESPONSE TO NPMHU/USPS-T8-12 (CONT.):

developing the MPNR.